SOCIAL SECURITY

PROGRAM CHARTS

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE
Social Security Administration

SSA DOCS
HD
7125
U576
1978

AUGUST, 1978

This training document is designed for the use of Social Security Administration employees. Information contained in this chart booklet does not alter or supersede regulations, operating procedures, or manual instructions.

OFFICE OF MANAGEMENT AND ADMINISTRATION
Office of Human Resources
Division of Personnel and Training Operations

Information about this publication may be obtained from the Office of Management and Administration, Office of Human Resources, Division of Personnel and Training Operations, 4-P-10 Annex, Baltimore, Maryland 21235. Telephone inquiries: 301-594-3920.

Copies of this publication may be obtained from 1-L-2 East Low Rise Building.
Telephone requests: 301-594-8033.

HD
7125
.U576
1978

Chart Presentation for 1979 Advisory Council on Social Security

Table of Contents

1. The Basic Idea of the Cash Benefits Program
2. 9 Out of 10 Jobs Are Covered
3. Protection for Older People
4. Survivors Protection
5. Disability Protection
6. 34 Million People Get Benefits Each Month
7. Average Cash Benefits
8. Percentage Distribution of Old-Age Beneficiaries in Current Payment Status
9. Automatic Adjustment of Benefits to Prices
10. Replacement Rates for Workers Retiring at Ages 62 and 65 in 1985
11. Earnings Test Provisions
12. Adjustment of Contribution and Benefit Base
13. Percent of Workers with Total Annual Earnings Covered
14. Percent of Total Earnings in Covered Employment Subject to Contributions
15. Basic Idea of the Medicare Program
16. Medicare Eligibility
17. Hospital Insurance
18. Medical Insurance
19. Major Benefit Exclusions under Medicare
20. Contribution Rate Schedule
21. How the Social Security Dollar Is Spent
22. Social Security Trust Fund Expenditures Per Dollar of Total Federal Expenditures
23. People Aged 65 and Over: Social Security, OAA, and Supplemental Security Income
24. Orphans: Social Security and AFDC
25. Disabled People: Social Security, Public Assistance, and Supplemental Security Income

THE BASIC IDEA OF THE CASH BENEFITS PROGRAM

REPLACEMENT OF LOST EARNINGS

WHILE EARNING

UPON RETIREMENT, DISABILITY, OR DEATH

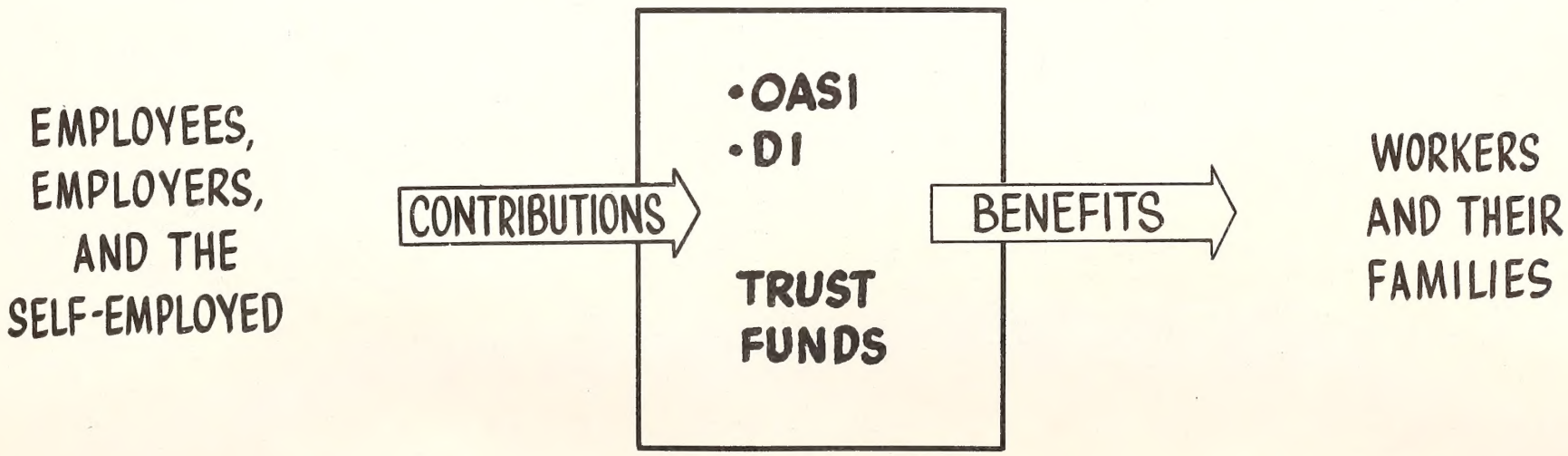


Chart 1

The Basic Idea of the Cash Benefits Program

The social security cash benefits program is a contributory social insurance system designed to protect workers and their families against loss of earnings upon the retirement, severe disability, or death of the worker. The basic idea of the cash benefits program is that while they are working, employees pay social security contributions through an earmarked earnings tax, which is matched by their employers (self-employed people contribute a percentage of their net income), in order to finance social security benefit payments to current beneficiaries. Current income not needed for this purpose is deposited in the social security trust funds, which serve as contingency reserves in the event outgo exceeds income.

When the earnings of current workers stop because of retirement (at age 62 or after), death, or disability, benefit payments, based on the worker's covered work and financed by future generations of workers, will be made to replace part of the earnings that are lost. The contributions received, the benefits paid out, and the contingency reserves maintained are handled separately from Federal general revenue transactions in trust funds specially created for social security transactions.

9 OUT OF 10 JOBS ARE COVERED

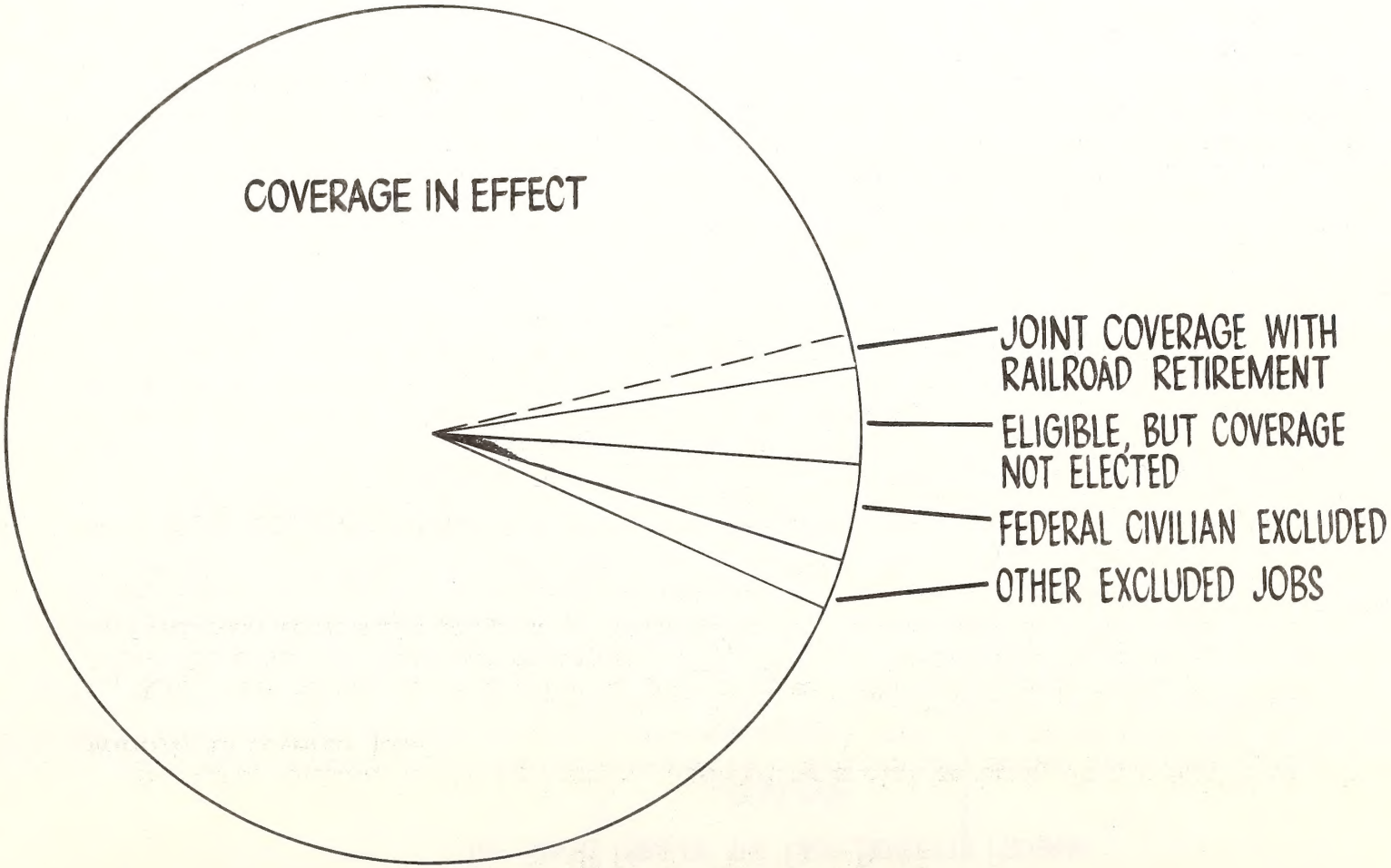


CHART 2

9 OUT OF 10 JOBS ARE COVERED

The first measure of the protection afforded by social security is the number of people working in covered jobs.

This chart shows the proportion of jobs covered under the social security program and those not covered. Railroad employment (534,000 jobs) is included as covered work because the railroad retirement program is coordinated with social security in such a way that railroad workers may be considered covered by both programs. In December 1977, about 90 percent of all jobs--about 85 million out of about 94 million--were covered.

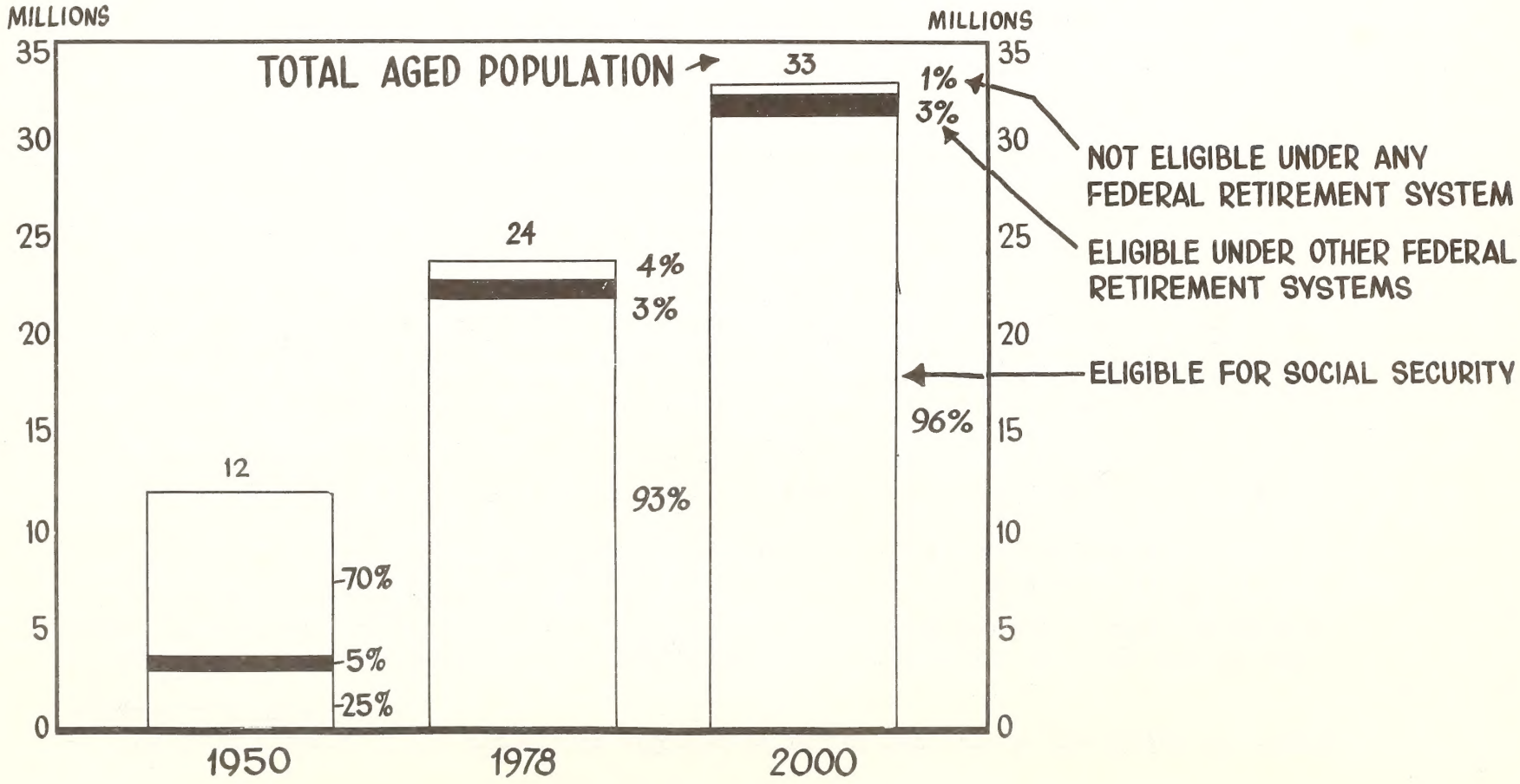
A large proportion of the 9.2 million jobs not covered are covered under other public retirement systems or represent irregular or part-time work.

Coverage is permitted for 4.2 million of the noncovered jobs, but coverage is not in effect. A very large proportion of these are State or local government jobs, almost all of which are under retirement systems. The remainder are either jobs for nonprofit organizations or represent self-employed persons with little or no net earnings who have not exercised their option to elect coverage based on a percentage of their gross earnings.

Of the 5 million jobs excluded by law from coverage,

- About half are in Federal employment that is covered by civil service retirement or one of the smaller Federal staff-retirement systems;
- About half are jobs in which people do not earn enough or work long enough to be covered, such as:
  - -- the self-employed with net earnings under $400 or gross earnings under $600
  - -- domestics who earn less than $50 in a quarter from any one employer
  - -- farm workers who earn less than $150 for a quarter or work less than 20 days a year.

PROTECTION FOR OLDER PEOPLE *



*AGE 65 AND OVER

CHART 3

PROTECTION FOR OLDER PEOPLE

This chart shows the proportions of aged eligible for social security or other Federal retirement benefits in the past, the present, and the future.

In 1950, less than 60 percent of the paid jobs were covered under social security, and only 25 percent of the people age 65 and over were eligible for social security benefits. Since then, protection has been extended to millions of workers so that today, 9 out of 10 jobs are covered under the program, and 93 percent of the people aged 65 and over are eligible for cash benefits.

A worker must be fully insured to qualify for retirement benefits for himself and family. A worker who reaches age 62 in 1975 or later is fully insured if he or she has at least one quarter of coverage (acquired at any time after 1936) for each calendar year elapsing after 1950 (or, if later, after the year in which he or she attained age 21) and up to the year in which the person attains age 62, dies, or becomes disabled. The maximum requirement is 40 quarters, or 10 years of covered work.

As of January 1, 1978, 93 percent--about 22 million--of the about 24 million people aged 65 and over either were getting monthly benefits, or would have been getting them if they or their spouses were not working. This includes 160,000 noninsured people aged 72 and over who were eligible for special payments.

Ninety-six percent of the people aged 65 and over are eligible for monthly benefits under social security or other Federal retirement systems, such as the railroad retirement program and the civil service retirement program.

Of the 1.8 million people reaching age 65 in 1978, about 95 percent are eligible for monthly benefits under social security and 98 percent are eligible for benefits under some Federal retirement system.

The proportion of aged eligible for social security will increase because more people will have had the opportunity to work in covered employment long enough to be insured. By the year 2000, about 96 percent of the aged population will be eligible for social security cash benefits. By then, just about all will be covered by some Federal retirement system.

SURVIVORS PROTECTION

130 MILLION PEOPLE ARE INSURED FOR SURVIVORS BENEFITS

INSURANCE PROTECTION FOR A WIDOW AND TWO CHILDREN OF A WORKER AGE 35 AND DYING IN JANUARY 1979 WITH AVERAGE INDEXED MONTHLY EARNINGS OF $823 HAS A VALUE AS OF 1/1/79 OF $115,000 AND IS GUARANTEED INFLATION PROOF.

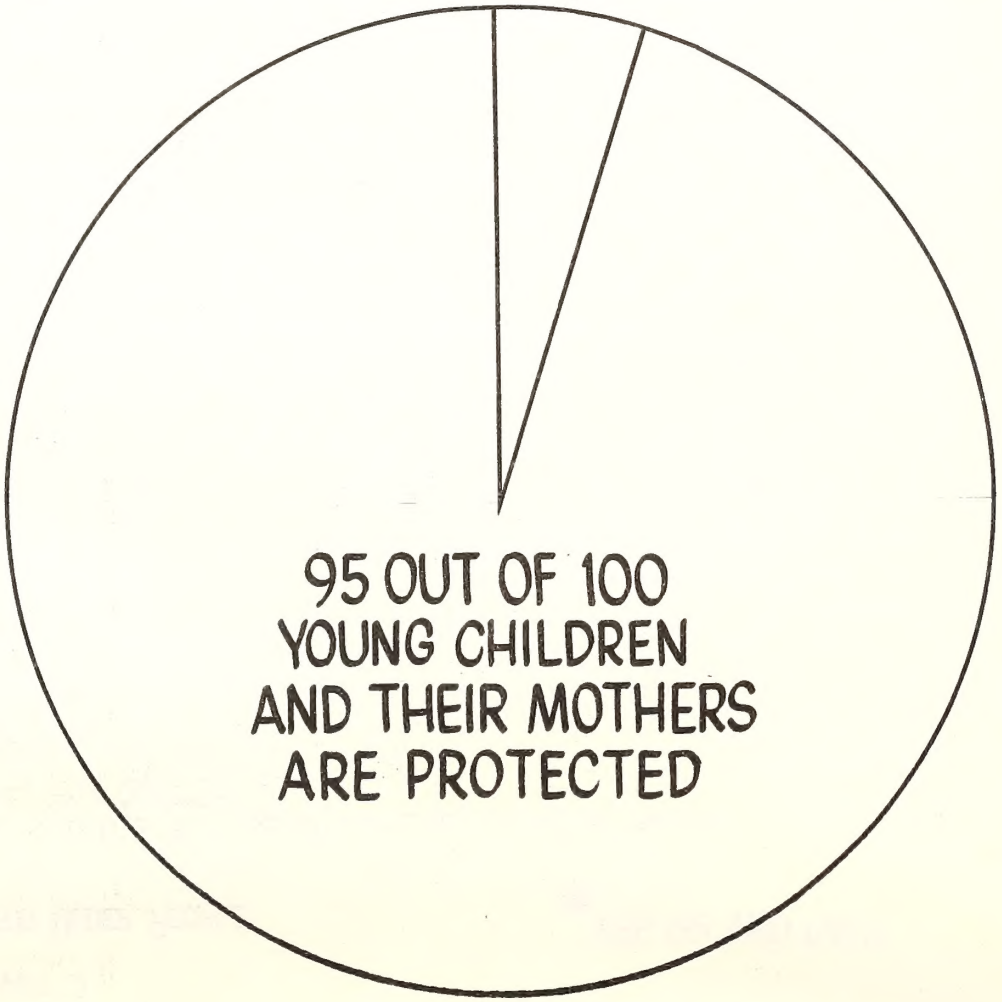


Chart 4

Survivors Protection

This chart shows the proportion of children and their mothers who have social security survivors protection if the father dies. Survivors benefits are payable to the children and to the young widow or widower of the worker if the worker was either fully insured or currently insured--at least 6 quarters of coverage during the 13-quarter period ending with the quarter of death.

As of January 1, 1978, 130 million people were insured for survivor benefits under the social security program.

Ninety-five out of every 100 children under age 18 and their mothers have survivorship protection. In addition to the protection for the young family, survivors benefits are payable to:

- aged widows and widowers
- aged dependent parents
- children aged 18-22 who are full-time students
- children aged 18 and over who were disabled before age 22

The value of survivors protection for a family with young children depends largely on the number and age of the children and on the earnings of the worker. For example, in the case of a young worker with average indexed monthly earnings of $823 who dies in January 1979 at age 35 leaving a wife aged 32 and two small children aged 3 and 5, the value of the benefits that will be paid to that family over the years (assuming that the children attend school until they reach age 22) is $115,000 and is guaranteed inflation proof.

DISABILITY PROTECTION

89 MILLION PEOPLE ARE INSURED FOR DISABILITY BENEFITS

DISABILITY AND SURVIVORS' INSURANCE PROTECTION FOR A WORKER AND HIS FAMILY--WIFE AND TWO CHILDREN--WHERE THE WORKER BECOMES DISABLED AT AGE 35 IN JANUARY 1979 WITH AVERAGE INDEXED MONTHLY EARNINGS OF $823, AND DIES 5 YEARS LATER, HAS A VALUE AS OF 1/1/79 OF $118,800 AND IS GUARANTEED INFLATION PROOF.

Chart 5

Disability Protection

This chart shows the proportion of adults who are protected (either as workers or as dependents of workers) against loss of earnings due to long-term disability. Disability is defined as the inability to engage in any substantial gainful activity because of a physical or mental impairment which can be expected to last for at least 12 months or result in death.

To be insured, a worker aged 31 or older must be fully insured and, unless blind, must also have at least 20 quarters of social security coverage (about 5 years of covered work) during the period of 40 calendar quarters (10 years) ending with the quarter of disability. An alternative insured-status requirement is available for workers disabled before age 31.

As of January 1, 1978, a total of 89 million workers at all ages under 65--56 million men and 33 million women--are estimated to have been insured against the loss of their earnings in the event of long-term disability. Most people who are not insured have only very recently entered the labor market, have worked primarily in noncovered jobs, or have not worked in recent years.

Benefits may be paid to children of the disabled worker and to the spouse if he or she is age 62 or older or is caring for an entitled child. Also people who are disabled before age 22 are protected in the event of the death, disability, or retirement of an insured parent and disabled widows and widowers may receive reduced benefits as early as age 50.

About 4 out of 5 people aged 21-64 have protection in the event of the breadwinner's long-term disability (either as insured workers or as dependents of insured workers).

The value of the disability (and survivors) insurance protection for a man who becomes disabled at age 35 in January 1979, with a wife aged 32 and two children aged 3 and 5, and with average indexed monthly earnings of $823 (assuming the man dies after being disabled for 5 years) is about $118,800 and is guaranteed inflation proof.

34 MILLION PEOPLE GET BENEFITS EACH MONTH

(1 OUT OF 7 AMERICANS)

- 25.0 MILLION RETIRED WORKERS, SPOUSES, WIDOWS, WIDOWERS, PARENTS, & RECIPIENTS OF SPECIAL AGE-72 PAYMENTS
- 5.7 MILLION CHILDREN AND WIDOWED MOTHERS OR FATHERS
- 3.4 MILLION DISABLED WORKERS AND SPOUSES, & DISABLED WIDOWS/ERS

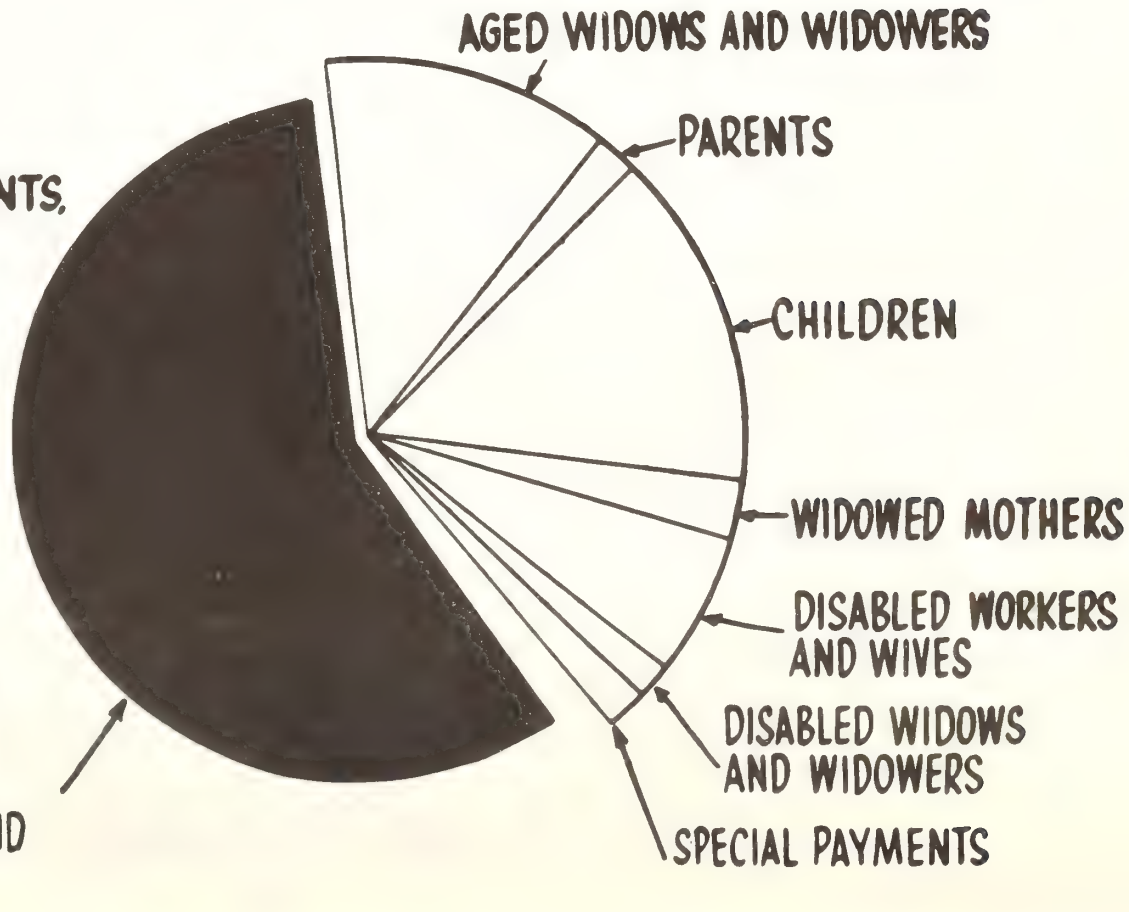


Chart 6

34 Million People Get Benefits Each Month

Over 34 million people (more than 1 person in every 7) were getting monthly benefits as of December 31, 1977.

Cash benefits for retired workers and their spouses and for aged dependent parent survivors are payable at age 62; widows and widowers can start getting benefits at age 60, or at age 50 if disabled. 61.0 percent (21 million) of the 34 million beneficiaries are retired workers and their spouses.

As of the end of December 1977, nearly 22 million beneficiaries were aged 65 and over. 17.8 million of these beneficiaries were retired workers. About 15 percent (5.1 million) of all beneficiaries are children of retired, deceased, or disabled workers. About 1.7 percent (582,000) are young widowed mothers and fathers with children in their care. About 0.5 percent (160,000) are receiving special age-72 payments. Over 12 percent (about 4.1 million) are widows and widowers (including about 100,000 disabled widows and widowers). Less than one-tenth of 1 percent (18,000) are dependent parents of deceased insured workers.

Benefits are also paid to insured workers who are disabled and to their dependents. Disabled workers under age 65 (2.8 million) and spouses of disabled workers (0.5 million) make up 9.8 percent of the beneficiary rolls.

AVERAGE CASH BENEFITS

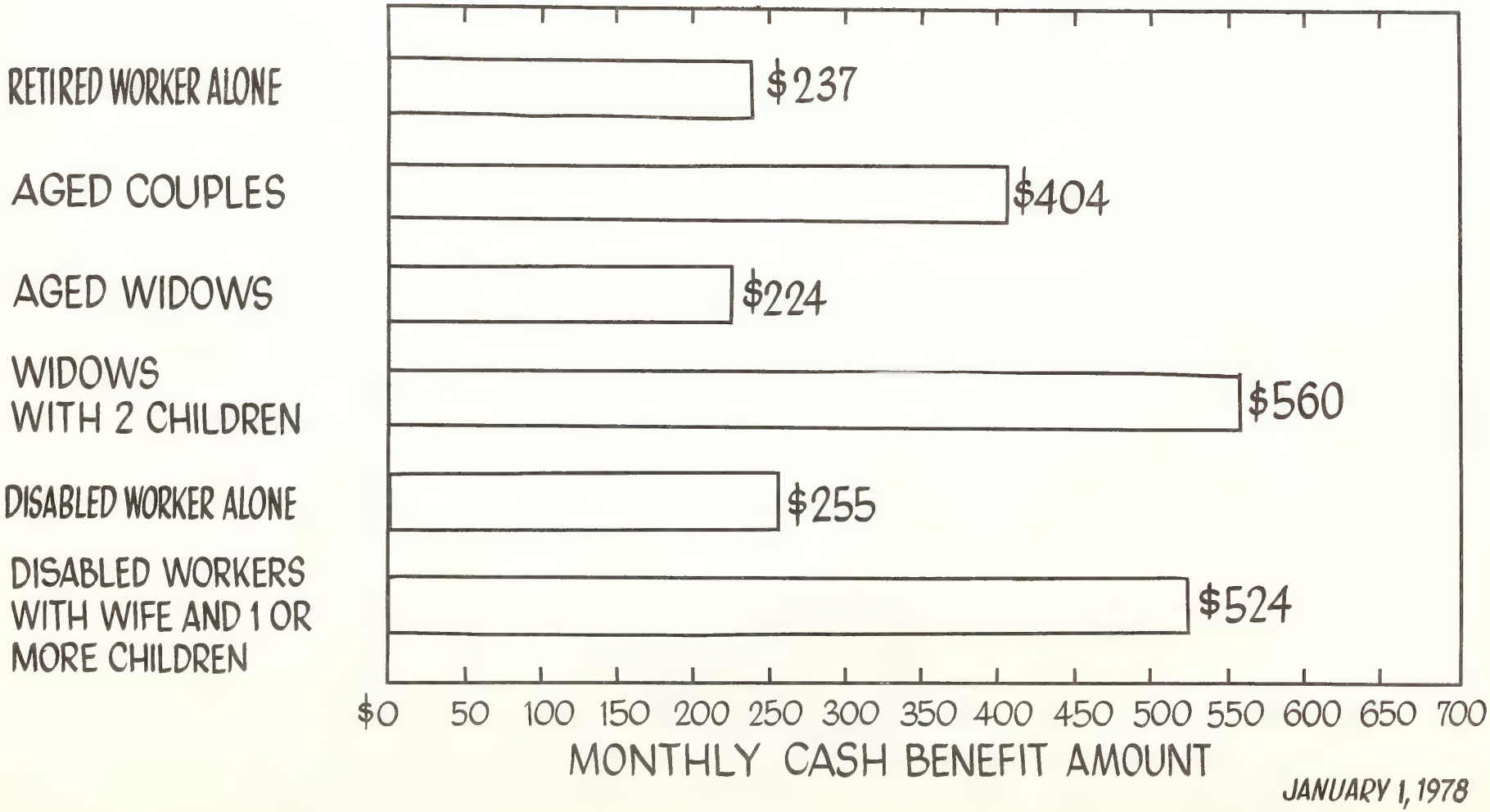


Chart 7

Average Cash Benefits

This chart shows average monthly benefits for January 1978 for selected family groups.

The average benefit for retired workers is $237, where there are no dependents getting benefits based on his earnings; where dependents benefits are payable, the worker's benefit is generally higher. A wife's (or husband's) benefit which begins at or after age 65 is equal to one-half of the amount the worker would get if he first began drawing benefits at age 65 or later. The average benefit for a retired couple is $404.

These benefit amounts take account of the fact that benefits for older workers and their spouses are reduced if taken before age 65. Currently, about half of the workers retire before age 65 and get benefits that may be reduced as much as 20 percent below the amount payable at age 65.

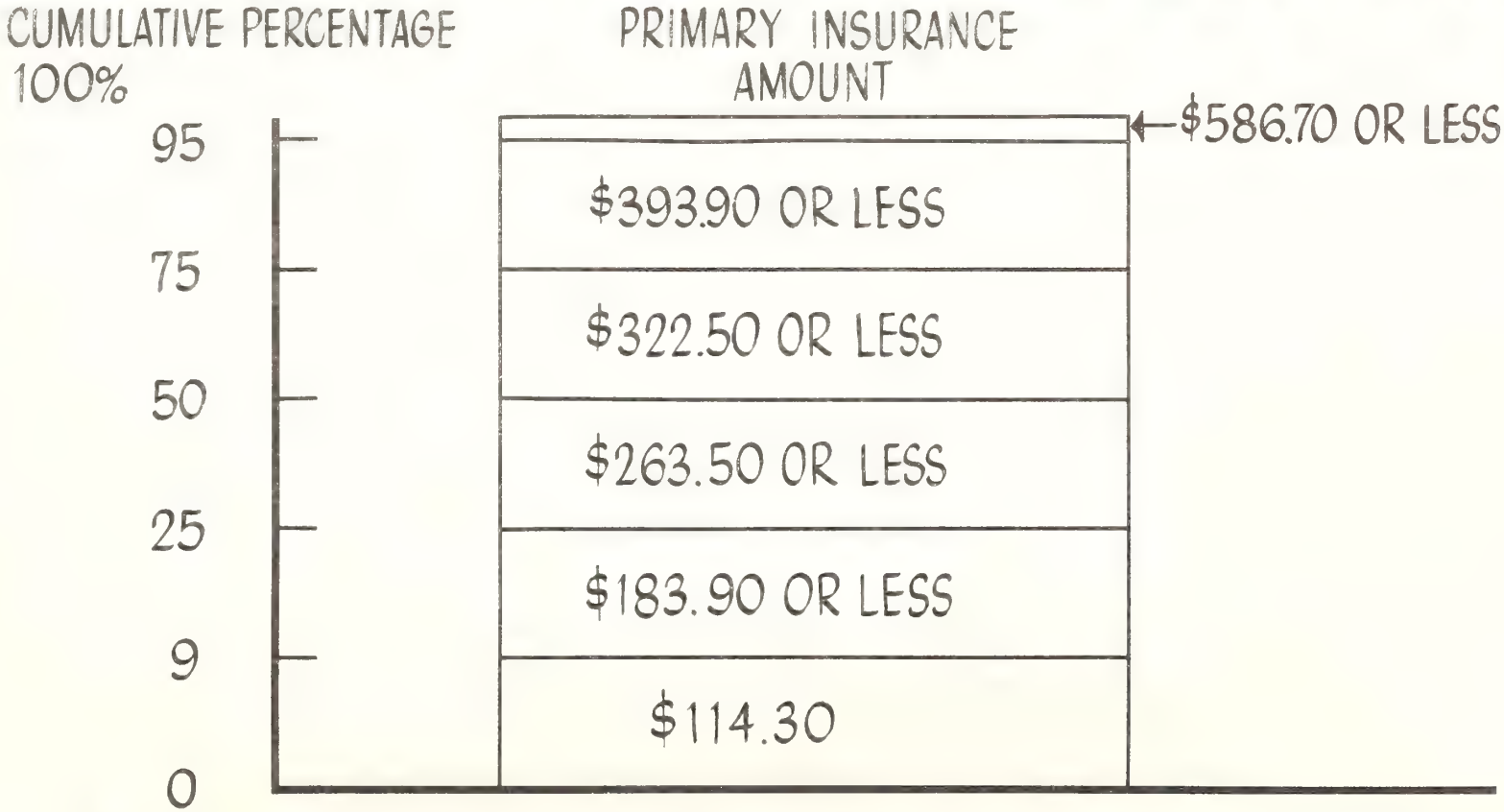
The amount of a widow's (or widower's) benefit depends on her (or his) age at the time the benefits are first paid (payable as early as age 60) and whether the worker got reduced retirement benefits. An aged widow's benefit beginning at or after age 65 is 100 percent of the benefit the worker was getting or would have gotten if he first began drawing benefits at age 65 or later. The average benefit for aged widows is $224.

The average benefit for a disabled worker alone is higher than the average for a retired worker alone--$255 compared with $237. The benefits paid to disabled workers are not reduced for age and frequently are based on greater continuity of recent earnings.

Several factors affect the amount of benefits for family groups. A child's benefit is 50 percent of the worker's unreduced benefit if the worker is alive, and 75 percent if the worker is dead. Also, there is a limit on the monthly family benefits payable on the basis of an insured worker's earnings record. The maximum family benefits range in amount from 150 percent to 188 percent of the worker's unreduced benefit.

The benefit for an aged dependent parent of a deceased worker is 82 1/2 percent of the worker's unreduced benefit if there is one parent, and 75 percent each if there are two parents.

PERCENTAGE DISTRIBUTION OF OLD-AGE INSURANCE BENEFICIARIES* IN CURRENT-PAYMENT STATUS



*DOES NOT INCLUDE DUAL-ENTITLED AND SPECIAL AGE-72 PAYEES

January, 1978

Chart 8

Percentage Distribution of Old-Age Insurance Beneficiaries in Current-Payment Status

The preceding chart showed the average benefits payable to selected family groups. This chart shows the estimated percentage distribution, by primary insurance amount (PIA), of all retired workers (excluding: (1) persons dually entitled to an old-age benefit and a supplemental wife's or widow's benefit, and (2) special age-72 payees) on the rolls at the beginning of January 1978.

About 9 percent of retired workers receive benefits based on the minimum PIA of $114.30. About 50 percent are receiving benefits based on a PIA of more than $263.50.

The maximum possible PIA for a worker retiring at age 65 in January 1978 is $459.80. The highest possible PIA for any retired worker for January 1978 is $586.70--for a worker qualifying for the minimum 5-year retirement computation period (a man age 82 or older or a woman age 79 or older) who has had maximum earnings over the last 5 years.

AUTOMATIC ADJUSTMENT OF BENEFITS TO PRICES

1. WHEN THE CPI INCREASES AT LEAST 3 PERCENT

2. INCREASES NO MORE OFTEN THAN ONCE A YEAR

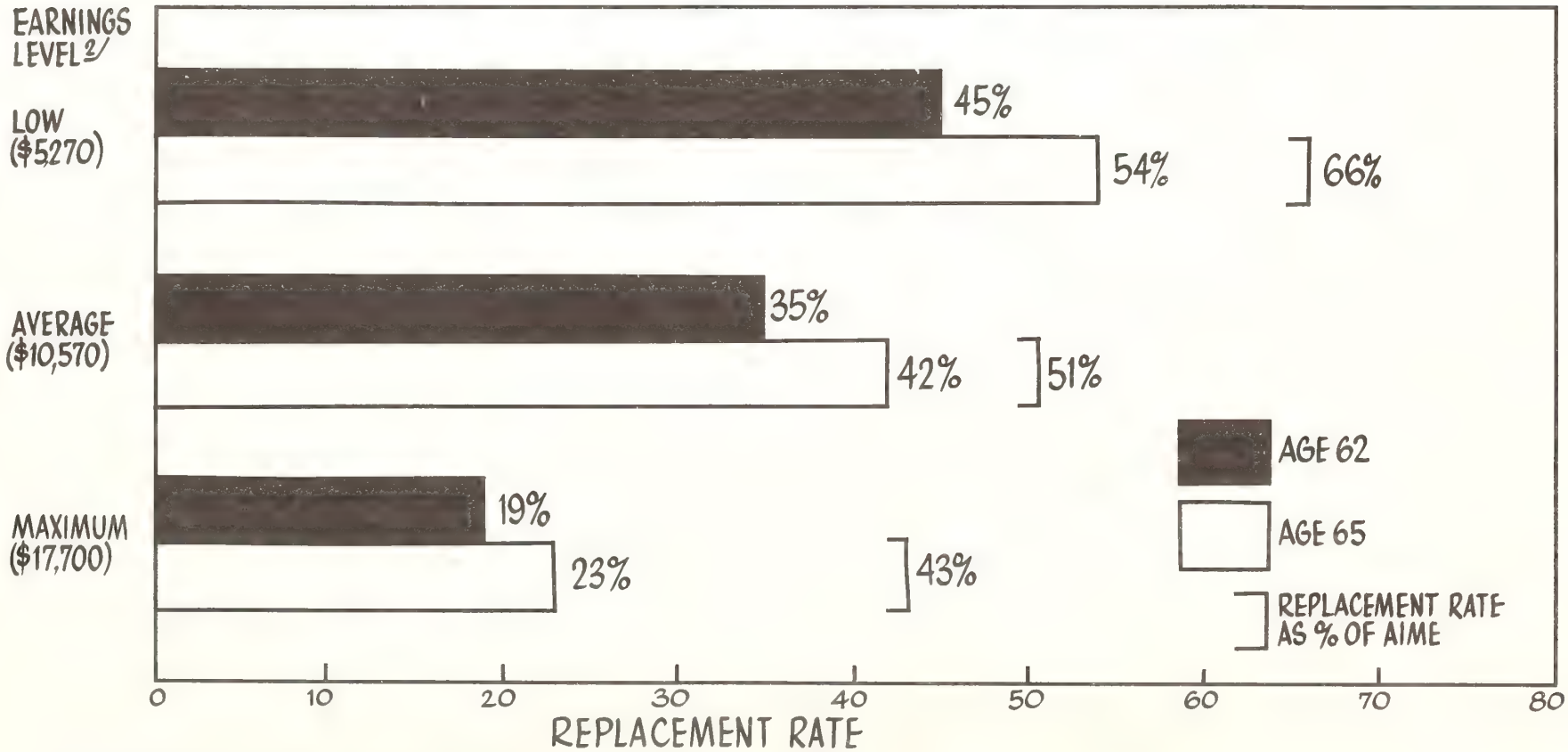
Chart 9

Automatic Adjustment of Benefits to Prices

The law provides for automatically increasing benefits to reflect increases in prices, so that the real value of benefits will not decline. The automatic cost-of-living increases are applicable beginning with the year the worker becomes disabled, reaches age 62, or (in the case of survivors benefits) dies.

If benefits are not increased by Congress, benefits can be increased automatically each June whenever the cost of living rises 3 percent or more between specified base periods. The exact amount of the increase is generally based on a comparison of the monthly average of the Consumer Price Index for the first calendar quarter of the current year with the monthly average of the Index for the first calendar quarter of the previous year.

REPLACEMENT RATES[1] FOR WORKERS RETIRING AT AGES 62 AND 65 IN 1985



1/ Initial benefits as % of final earnings.

2/ The 1978 earnings for low and average earners are adjusted annually as general earnings levels rise. The maximum of $17,700 will increase in steps to $29,700 in 1981 with automatic adjustments thereafter as earnings levels rise.

Chart 10

Replacement Rates for Workers Retiring at Ages 62 and 65 in 1985

This chart shows the proportion of earnings that will be replaced by social security benefits for workers at different earnings levels retiring at ages 62 and 65 in 1985 in order to show replacement rates under the benefit computation provisions of the 1977 social security amendments. These replacement rates reflect the progressive nature of the benefit formula--the higher one's earnings, the lower the replacement rate--and the payment of reduced benefits if the worker retires before age 65--the later the age at retirement, the higher the replacement rate.

Replacement rates are usually defined as the percentage of final year earnings that benefit amounts replace. It is generally assumed under this definition that the worker's earnings will continue to increase each year by the same percentage as wages generally. However, benefit amounts for workers reaching age 62, or becoming disabled, or in the case of survivors, who die after 1978 will be based on "lifetime" earnings in covered employment after 1950 or age 21, if later, up to the year the worker reaches age 62, becomes disabled, or dies. In addition, the worker's earnings are indexed (updated) to reflect general wage levels just prior to retirement, disability, or death.

If replacement rates were defined as a percentage of the averaged indexed monthly earnings (AIME) on which benefits will be based in the future, the same progressive pattern would emerge but replacement rates would be generally higher. For example, all other things being equal, the initial benefit for the low-paid worker 65 in 1985 would represent 66 percent of AIME and 54 percent of final year earnings.

Replacement rates are higher when benefit amounts are measured against lifetime AIME because AIME will be lower than the hypothetical "final year" earnings. For maximum earners, replacement rates will also differ under either definition because at times maximum earnings increased faster than average wages.

Replacement rates are expected to be relatively constant in the future under either definition. Also the replacement rates for a couple at age 65 will equal 1 1/2 times the replacement rate for the worker.

EARNINGS TEST PROVISIONS

Year	Annual Exempt Amounts 1/ Under Age 65	Age 65-71
1978	$3240	$4000
1979	3480	4500
1980	3720	5000
1981	3960	5500
1982	4320	6000

- $1 for $2 reduction above exempt amounts
- Some benefits payable until earnings equal two times annual benefit plus annual exempt amount

1/ Automatic increases after 1978 for people under 65 and after 1982 for people age 65-69 as earnings levels rise. Effective in 1982, test does not apply after age 69.

Chart 11

Earnings Test Provisions

A basic purpose of social security is to provide cash benefits to partially replace earnings lost when a worker becomes disabled, dies or retires in old age. Benefits are withheld if a person has substantial earnings from work. The amount of benefits withheld depends on the amount of earnings. The provision for withholding benefits, generally referred to as the earnings test, is applicable to dependent and survivor beneficiaries as well as to retired workers. The elements of the test are:

1. Annual exempt amount of earnings: $4,000 for 1978 for beneficiaries 65 and over and $3,240 for beneficiaries under 65.

2. Reduction in benefits for earnings above exempt amount: $1 in benefits is withheld for each $2 of earnings in excess of the exempt amount.

3. Initial year of retirement: In the first year a beneficiary is both eligible for benefits and has a nonwork month--a month in which he earns less than one-twelfth the annual exempt amount and does not perform substantial services in self-employment--benefits are paid in full for each nonwork month regardless of the amount of annual earnings.

4. Automatic increases in exempt amounts: For beneficiaries under age 65, annual exempt amount is automatically increased to keep pace with increases in general earnings levels. For beneficiaries aged 65-71, annual exempt amounts for 1972-1982 are set by law; after 1982 exempt amounts for these beneficiaries will also be automatically increased.

5. Exemption on account of age: Benefits are payable to a beneficiary for all months beginning with the month he reaches age 72, regardless of his earnings. Otherwise, people who continued working to a very advanced age would never get benefits, even though they had paid contributions longer than most other people. Beginning in 1982, the age at which the test no longer applies is lowered to 70.

6. Nonwork income not counted: Retirement test applies only to income from work; benefits are not withheld because of income from nonwork sources since this might decrease the incentive for people to supplement their social security benefits through personal savings, private pensions, and the like.

ADJUSTMENT OF CONTRIBUTION AND BENEFIT BASE:

AD HOC INCREASES

- Base Increases from $17,700 in 1978 to
  - $22,900 IN 1979
  - $25,900 IN 1980
  - $29,700 IN 1981

AUTOMATIC INCREASES

- After 1981, Base Adjusted Automatically
  - BY PERCENT INCREASE IN AVERAGE WAGES, ROUNDED TO NEAREST $300, AND
  - ONLY FOR A YEAR FOLLOWING AN AUTOMATIC BENEFIT INCREASE

Chart 12

Adjustment of Contribution and Benefit Base

Until 1975 Congress enacted base increases--the maximum annual amount of earnings counted for contribution and benefit purposes--from time to time to more or less take account of increases in wages. Under legislation enacted in 1972, the base was automatically adjusted each year from 1975 through 1978 to take account of increases in average wages.

The 1977 amendments provided for ad hoc increases in the base to $22,900 in 1979, $25,900 in 1980, and $29,700 in 1981 with automatic increases thereafter.

An automatic increase in the base can go into effect only for the year following the year in which an automatic benefit increase becomes effective. The amount of the increase is based on a comparison of the level of average wages in the economy in the year before the year in which the computation is made with the level of average wages in the most recent year in which (1) an increase in the contribution and benefit base was enacted, or (2) a determination was made to automatically adjust the base.

PERCENT OF WORKERS WITH TOTAL ANNUAL EARNINGS COVERED IN EFFECTIVE YEAR OF AD HOC INCREASES IN CONTRIBUTION AND BENEFIT BASE

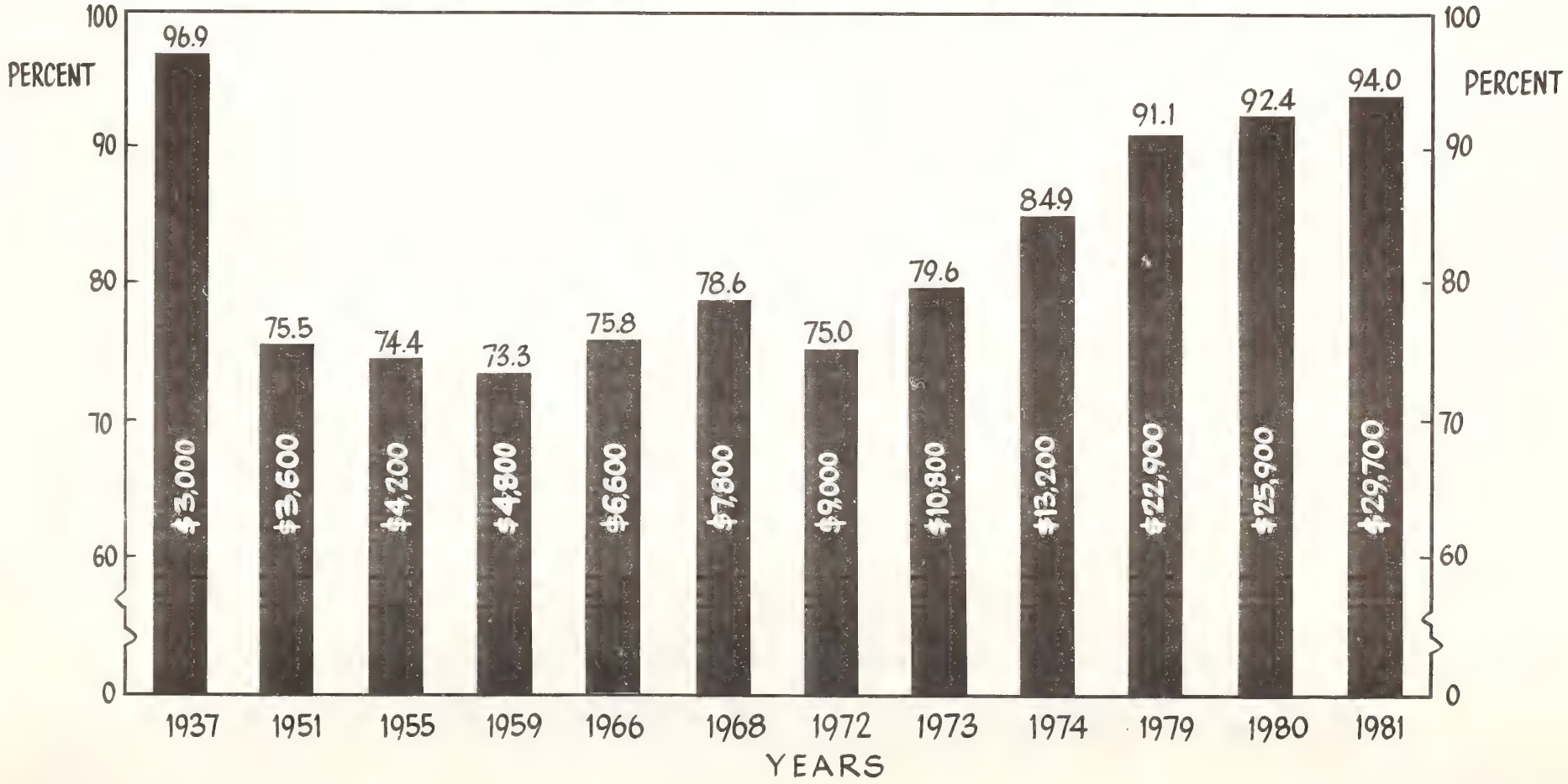


Chart 13

Percent of Workers with Total Annual Earnings Covered in Effective Year of Ad Hoc Increases in Contribution and Benefit Base

Since it has not been considered appropriate to cover the full earnings of highly-paid people and to pay correspondingly high benefits, there has always been an upper limit on the amount of annual earnings counted for contribution and benefit purposes (the so-called contribution and benefit base). Automatic base increases maintain the relative effectiveness of the program by assuring that benefits will continue to be related to the full earnings of most covered workers. Changes in the relative level of the base affect the extent of protection provided for higher-paid workers under social security.

The original base was set at $3,000 in 1937 and covered the full earnings of about 97 percent of all workers in covered employment. The $3,000 base remained in effect through 1950 by which time it covered the full earnings of only about 71 percent of the workers in covered employment.

The base was increased to $3,600 in 1951, which then covered the full earnings of about 75 percent of those in covered employment. The Congress increased the base a number of times in the 1950's and 1960's as wage levels rose, roughly maintaining this 75 percent relationship.

In the early 1970's, there were several real increases in the level of the base such that, under the automatic adjustment provisions effective for 1975-78, a level covering the full earnings of about 85 percent of all covered workers was maintained.

Under the 1977 amendments, the base (now $17,700) is scheduled to increase to $22,900 in 1979, $25,900 in 1980, and $29,700 in 1981 with automatic adjustments thereafter.

As a result of these three ad hoc increases, the percentage of workers with all of their earnings covered will increase from 85 percent to 94 and this percentage will be maintained in the future under the automatic adjustment provisions.

PERCENT OF TOTAL EARNINGS IN COVERED EMPLOYMENT SUBJECT TO CONTRIBUTIONS IN EFFECTIVE YEAR OF AD HOC INCREASES IN CONTRIBUTION AND BENEFIT BASE

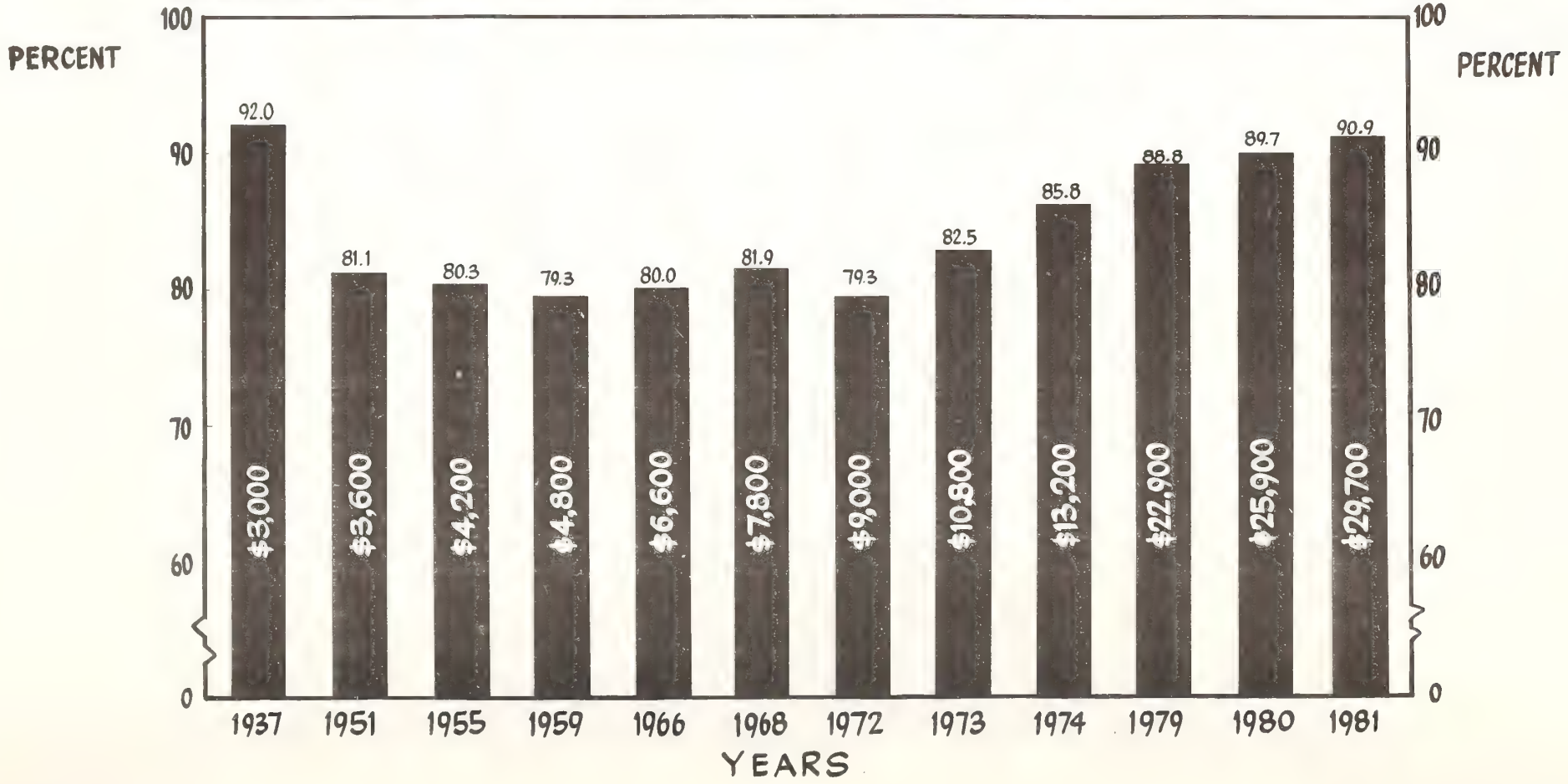


Chart 14

Percent of Total Earnings in Covered Employment Subject to Contributions in Effective Year of *Ad Hoc* Increases in Contribution and Benefit Base

The proportion of total payroll in covered employment that is taxed for social security purposes determines the financial base of the program. Other things being equal, a decline in the percentage of total payroll that is taxable would mean that higher tax rates would be needed to finance a given level of protection.

Under the $3000 base in 1937, about 92 percent of total earnings in covered work were subject to contributions; this percentage dropped to about 80 in 1950. The 1950 amendments increased the base to $3600 in 1951 and the proportion of total covered payroll that was taxable increased to 81 percent, a level the Congress approximately maintained for two decades. Since 1975, when the first automatic adjustment of the base became effective, about 85 percent of total earnings have been subject to contributions. As a result of the three *ad hoc* increases in the contribution and benefit base through 1981, the proportion of total earnings subject to contributions will increase to about 91 percent and this percentage will be maintained in the future under automatic adjustment provisions.

THE BASIC IDEA OF THE MEDICARE PROGRAM

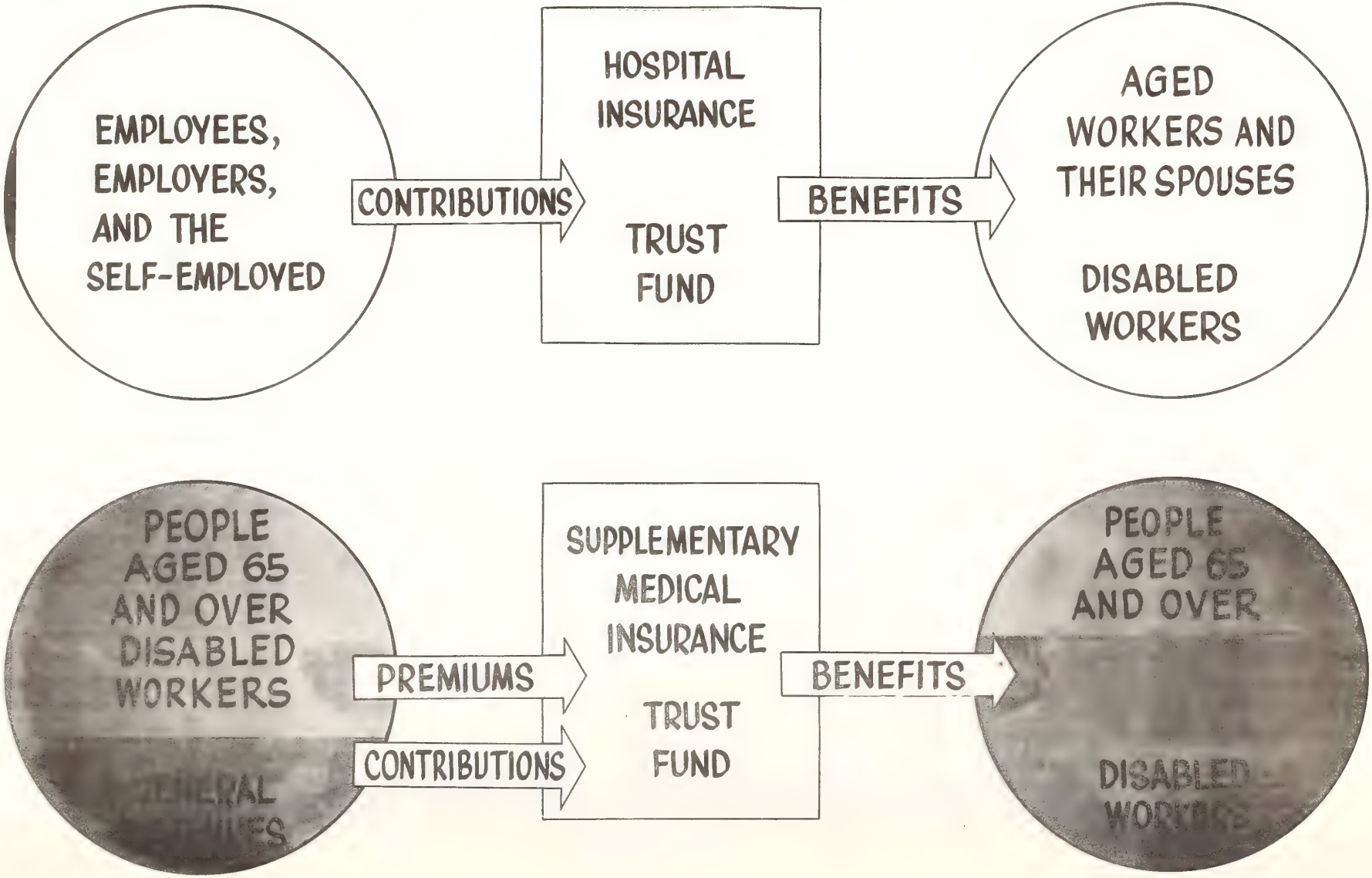


Chart 15

The Basic Idea of the Medicare Program

Hospital Insurance

Medicare hospital insurance, like the cash benefits program, is financed on a self-supporting basis through contributions on current earnings paid by employees, employers, and self-employed persons. The hospital insurance trust fund makes payments for covered hospital services, as well as for post-hospital skilled nursing facility and home health services. Persons eligible for these benefits include everyone aged 65 or older who is entitled to monthly social security or railroad retirement benefits; almost all persons who became 65 before 1968; uninsured persons age 65 or over who purchase this coverage voluntarily; disabled persons under age 65 who have been entitled to benefits based on disability for 24 consecutive months and workers and their spouses or dependent children who need dialysis or transplantation due to chronic renal disease.

Supplementary Medical Insurance

The supplementary medical insurance plan covers the costs of physicians' services and related medical care and is available, on a monthly premium basis, to nearly all persons 65 and over. The supplementary medical insurance program is financed through a trust fund into which go premiums from persons who voluntarily enroll in the program and Federal general revenue contributions sufficient to meet the full cost of the program.

MEDICARE ELIGIBILITY

HOSPITAL INSURANCE AND SUPPLEMENTARY MEDICAL INSURANCE

PERSONS AGE 65 AND OVER

- ALL PERSONS ELIGIBLE FOR MONTHLY CASH BENEFITS
- UNINSURED PERSONS "BLANKETED IN" IN EARLY YEARS OF PROGRAM
- OTHER UNINSURED PERSONS WHO PAY FULL COST FOR HI PROTECTION ($54 A MONTH AS OF 7/1/77; $63 A MONTH EFFECTIVE 7/1/78)

PERSONS UNDER AGE 65

- ALL PERSONS RECEIVING MONTHLY CASH DISABILITY BENEFITS FOR 24 CONSECUTIVE MONTHS
- CERTAIN CHRONIC KIDNEY DISEASE PATIENTS WHO ARE FULLY OR CURRENTLY INSURED OR ARE RECEIVING MONTHLY SOCIAL SECURITY BENEFITS (OR WHO ARE DEPENDENTS OF SUCH PERSONS)

Chart 16

Medicare Eligibility

Medicare protection (both hospital insurance and supplementary medical insurance) is available to virtually everyone aged 65 and over and to certain groups of people under age 65. All persons who are eligible for monthly cash benefits under the social security or railroad retirement programs are eligible for hospital insurance at age 65.

In addition, uninsured persons aged 65 and over who are not otherwise eligible for hospital insurance may enroll, on a voluntary basis. They are required to pay the full cost of their hospital insurance protection--$54 per month as of July 1, 1977, $63 beginning July 1, 1978--and must also enroll for supplementary medical insurance.

About 2.6 million social security beneficiaries under age 65 who have been receiving benefits on the basis of a disability for 24 or more consecutive months are entitled to Medicare protection. Those covered include disabled workers; disabled widows and disabled widowers between the ages of 50 and 65; people aged 18 and over who receive social security benefits because they became disabled before reaching age 22; and disabled qualified railroad retirement annuitants. Medicare protection is also available to insured individuals under age 65, and to the spouses and dependent children of such individuals who require dialysis or transplantation for chronic renal disease.

Both the aged and disabled, except for residents of Puerto Rico and foreign countries, are automatically enrolled for supplementary medical insurance as they become entitled to hospital insurance unless they decline this coverage. All enrollees are responsible for the supplementary medical insurance premium ($7.70 per month as of July 1, 1977, $8.20 effective July 1, 1978).

HOSPITAL INSURANCE

Covered Services:

INPATIENT HOSPITAL CARE

- 90 DAYS PER BENEFIT PERIOD
- 60 DAY LIFETIME RESERVE

DEDUCTIBLE — $144

COST SHARING — PATIENT PAYS $36 PER DAY FOR 61ST THRU 90TH DAY

— PATIENT PAYS $72 PER DAY FOR EACH OF LIFETIME RESERVE DAYS USED

POST-HOSPITAL EXTENDED CARE

- 100 DAYS PER BENEFIT PERIOD

COST SHARING — PATIENT PAYS $18.00 PER DAY FOR DAYS BEYOND 20

POST-HOSPITAL HOME HEALTH SERVICES

- 100 VISITS

COST SHARING — NONE

Chart 17

Hospital Insurance

Coverage under the hospital insurance plan is provided for three types of care furnished by participating organizations: inpatient hospital care, post-hospital extended care, and post-hospital home health services. Participating in the Medicare program are about 8,700 hospitals, 4,700 skilled nursing facilities, 2,800 home health agencies, 3,200 independent laboratories, and 900 end-stage renal dialysis facilities.

Inpatient hospital care is covered for up to 90 days in a benefit period (which begins on the day of admission to a hospital, and ends after 60 consecutive days during which the patient is neither a hospital inpatient nor a skilled nursing facility inpatient). The program pays for all but the first $144 of the cost of covered hospital services during 60 days in a benefit period; if hospitalization extends beyond 60 days, it pays all but $36 daily for an additional 30 days. In addition, a lifetime reserve of 60 days of inpatient hospital benefits is available to the beneficiary whenever he has used up the 90 days of hospital benefits in a benefit period. The program pays all but $72 per day for such added days of coverage. The deductible and the copayment amounts are adjusted each year to reflect changes in hospital costs.

Post-hospital extended care (in the kind of skilled nursing home or part of a hospital that qualifies) is covered for up to 100 days in a benefit period if begun within a short time (generally within 14 days) after a hospital stay of at least 3 days. The program pays all covered costs for the first 20 days, and after the 20th day pays all but $18 per day. The copayment is also adjusted each year and is based upon a percentage of the inpatient hospital deductible amount.

Post-hospital home health services are covered for up to 100 visits if furnished within 1 year after discharge from a hospital (after at least a 3-day stay) or, if later, from a skilled nursing facility of which the beneficiary was an inpatient entitled to payment under Medicare and before the beginning of a new benefit period. The program pays for covered services in full.

MEDICAL INSURANCE

DEDUCTIBLE -- $60 PER CALENDAR YEAR
COINSURANCE -- PATIENT PAYS 20%

Covered Services

PHYSICIANS' AND SURGEONS' SERVICES

OUTPATIENT HOSPITAL SERVICES

HOME HEALTH SERVICES

- 100 VISITS A YEAR (*WITH NO COINSURANCE*)

OTHER HEALTH SERVICES

Includes:

- OUTPATIENT PHYSICAL THERAPY AND SPEECH PATHOLOGY • CERTAIN CHIROPRACTIC SERVICES • LABORATORY SERVICES • PROSTHETIC DEVICES • RADIATION THERAPY • AMBULANCE • DIAGNOSTIC X-RAYS • OUTPATIENT MAINTENANCE DIALYSIS TREATMENTS

⇨ *ENROLLEE PAYS $7.70 PER MONTH ($8.20 PER MONTH EFFECTIVE JULY 1, 1978)*

Chart 18

Medical Insurance

The medical insurance plan is open to virtually all persons at age 65, to persons entitled for not less than 24 consecutive months to cash benefits under the social security and railroad retirement programs because they are disabled, and to certain chronic renal disease patients who require hemodialysis or renal transplant. Beneficiaries pay monthly premiums--$7.70 as of July 1, 1977 ($8.20 effective July 1, 1978)--which meet about one-fourth of program costs. The remaining program costs are paid by the Federal Government out of general revenues.

Coverage under the voluntary medical insurance plan is provided for physicians' and surgeons' services, outpatient hospital services, home health visits, and a number of other health services. There is an annual deductible of $60, after which the program pays for 80 percent of the reasonable charges for covered services and the patient pays 20 percent, except that payment for home health services is equal to 100 percent of the reasonable cost of services. Program coverage of the services of independently practicing physical therapists is limited to $100 of reasonable charges per calendar year, and there is a special limitation on the total amount the plan will pay for outpatient psychiatric services.

Physicians' and surgeons' services are covered in the home, office, clinic, and hospital.

Outpatient hospital services are covered if furnished by participating hospitals, or in emergencies, by nonparticipating hospitals meeting certain minimum requirements.

Home health services provided by a qualified agency, under a plan established and reviewed by a physician, are covered for up to 100 visits in a calendar year. The patient must be home bound but no prior hospitalization is required.

Other covered health services include outpatient physical therapy services and outpatient speech pathology services; outpatient maintenance dialysis treatments; certain services of licensed chiropractors; diagnostic tests; dressings, splints, and casts; rental and purchase of durable medical equipment; certain ambulance services; and prosthetic devices (other than eyeglasses, hearing aids, and dentures).

MAJOR BENEFIT EXCLUSIONS UNDER MEDICARE

1. DRUGS
2. CUSTODIAL CARE
3. HEALTH EXAMS, ROUTINE FOOT CARE, IMMUNIZATIONS AND DENTAL CARE
4. ITEMS OR SERVICES NOT MEDICALLY NECESSARY
5. DENTURES, EYEGLASSES AND HEARING AIDS
6. SERVICES BEYOND COVERED LIMITS

Chart 19

Major Benefit Exclusions under Medicare

This chart shows the types of items or services excluded by law from coverage and certain conditions under which any type of item or service is excluded by law. In general, the items or services are excluded because they are not directly necessary for the treatment of illness, or because of cost considerations. Under the Medicare program, primary coverage has been directed toward hospitalization and related care and physicians' and certain other medical services rendered to persons who are ill since these are the health costs that a majority of persons living on limited, fixed incomes find most difficult to finance.

CONTRIBUTION RATE *Schedule*

PERCENT OF COVERED EARNINGS

	EMPLOYEES & EMPLOYERS (EACH)			SELF-EMPLOYED PEOPLE		
YEARS	OASDI	HI	TOTAL	OASDI	HI	TOTAL
1978	5.05	1.00	6.05	7.10	1.00	8.10
1979-80	5.08	1.05	6.13	7.05	1.05	8.10
1981	5.35	1.30	6.65	8.00	1.30	9.30
1982-84	5.40	1.30	6.70	8.05	1.30	9.35
1985	5.70	1.35	7.05	8.55	1.35	9.90
1986-89	5.70	1.45	7.15	8.55	1.45	10.00
1990 and AFTER	6.20	1.45	7.65	9.30	1.45	10.75

Chart 20

Contribution Rate Schedule

This chart shows the schedules of contribution rates specified in present law for cash benefits and for hospital insurance. The financing provisions of the program are intended to produce sufficient income to pay benefits and the administrative expenses of the program and maintain the trust funds at a reasonable contingency-reserve level.

The plan of financing the social security program is as follows: for 1978, employees and self-employed people pay social security contributions on their annual earnings up to $17,700--the maximum amount counted for social security purposes. Each employer also pays social security contributions on the first $17,700 paid to each employee in the year. The rates for the self-employed generally are 1 1/2 times the employee rate. Annual earnings subject to social security contributions are scheduled to increase to $22,900 for 1979, $25,900 for 1980, and $29,700 for 1981, and automatically adjusted thereafter to rising wages. The contribution rates are fixed in law. Not reflected in the chart is the supplementary medical insurance program, which is separately financed through voluntary premium payments and general revenues rather than payroll deductions.

HOW THE SOCIAL SECURITY DOLLAR IS SPENT

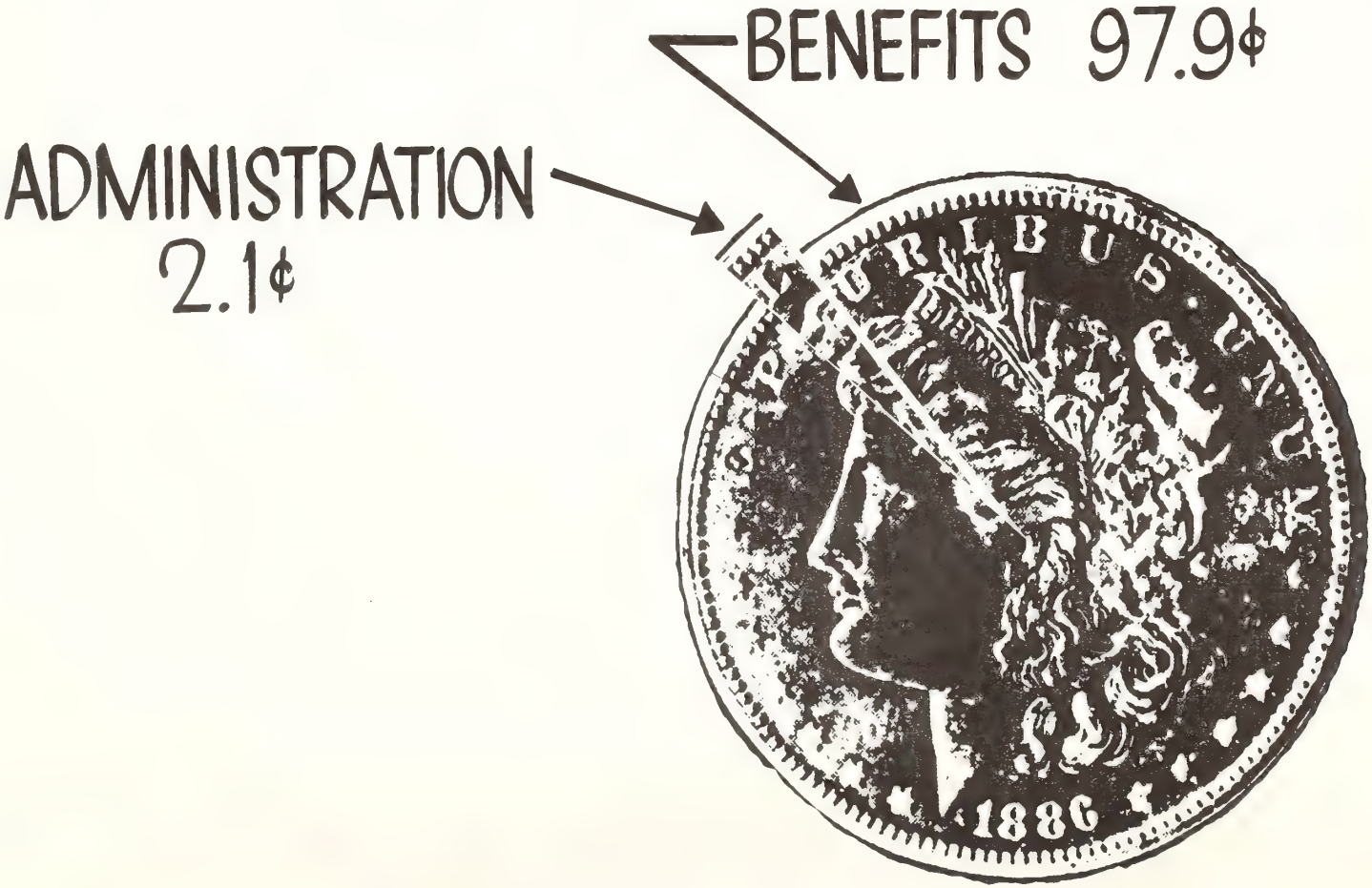


Chart 21

How the Social Security Trust Fund Dollar is Spent

The main sources of income to social security are contributions on earnings, premiums from enrollees in the supplementary medical insurance program, and Federal payments matching the premiums, and interest earnings on the trust fund investments. This income can be used only for the payment of benefits and administrative expenses of the program. Income not needed for current benefits and administrative expenses is by law invested in interest-bearing obligations of the United States and in obligations issued by certain federally-sponsored agencies.

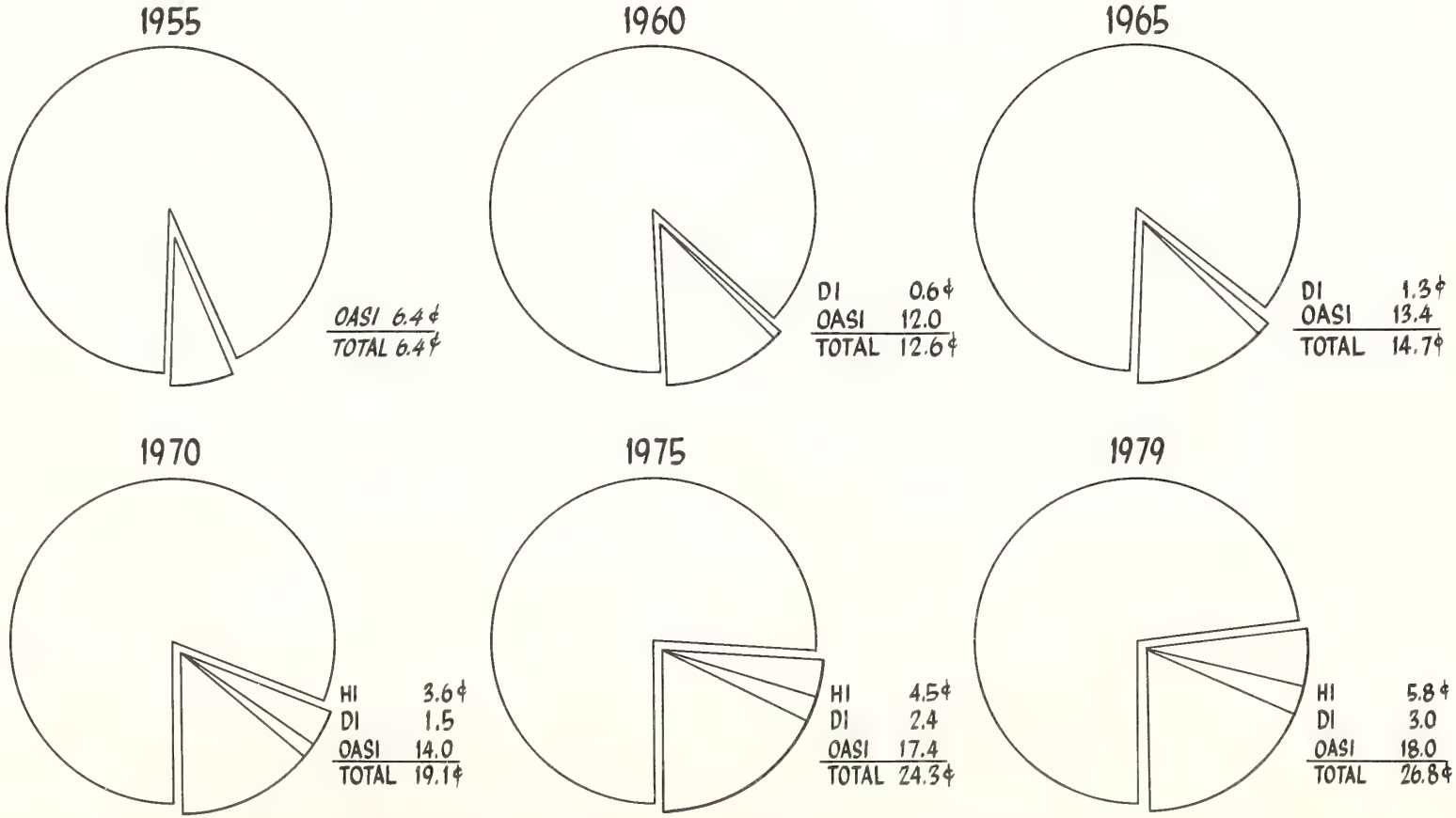
The social security program operates at a low cost; most of the outgo from the trust funds represents payments to beneficiaries. In 1977, $2.2 billion was spent for operating expenses, and $106.4 billion for retirement, survivors, disability, and health insurance benefits.

The amount spent for administration includes the charge made against the trust funds by the Treasury Department for collection of contributions, writing checks, and management of the trust funds' investments in U.S. Government securities. It also includes the expenses of health insurance contractors and State agencies assisting in the administration of the Medicare program and of the State agencies assisting in the administration of the disability insurance program. The amount of benefit payments shown above for 1977 includes the cost of vocational rehabilitation for disabled beneficiaries.

A trust fund breakdown of the administrative expenses for each income dollar is as follows:

Old Age and Survivors Insurance	1.4 cents
Disability Insurance	4.1 cents
Hospital Insurance	2.0 cents
Supplementary Medical Insurance	6.5 cents

SOCIAL SECURITY TRUST FUND EXPENDITURES* PER DOLLAR OF TOTAL FEDERAL EXPENDITURES



* *Old-Age and Survivors Insurance (OASI), Disability Insurance (DI), and Health Insurance (including both parts of the Medicare program).*

Chart 22

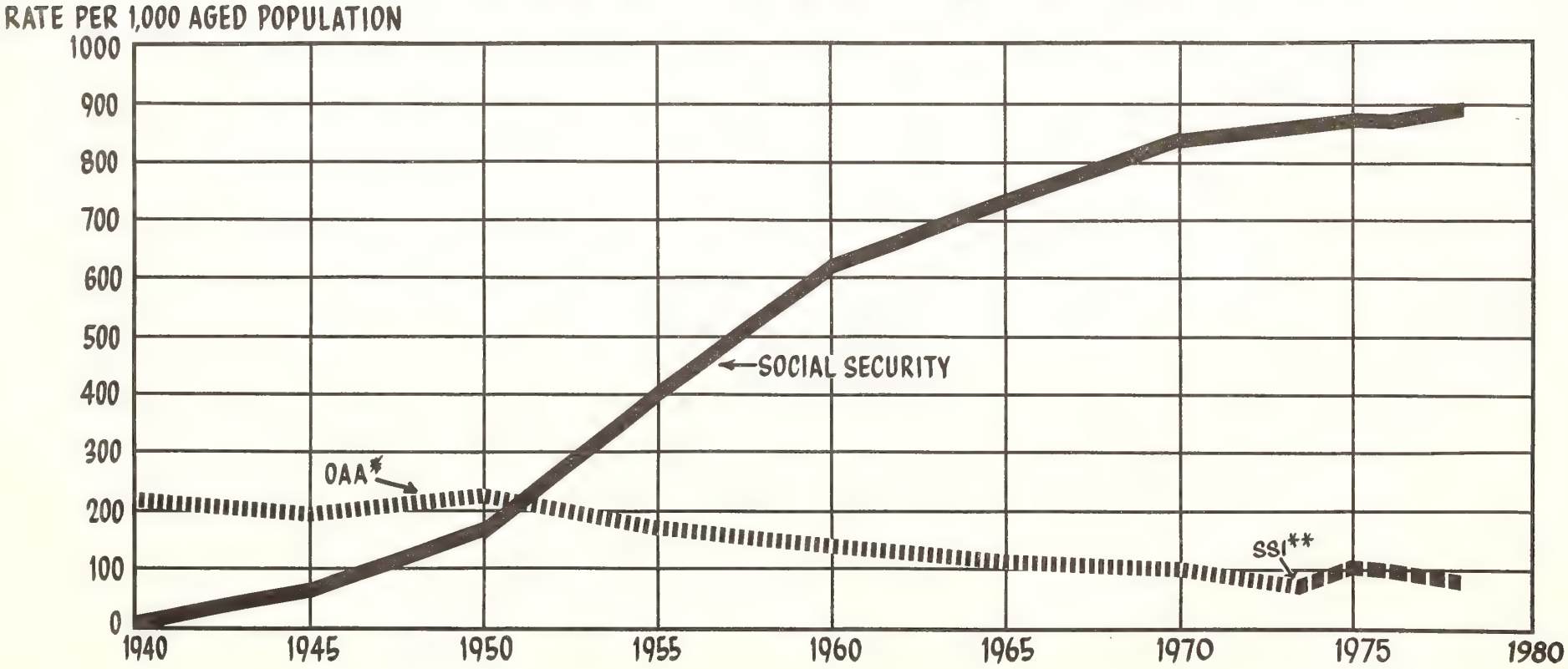
Social Security Trust Fund Expenditures Per Dollar of Total Federal Expenditures

This chart shows how the social security share of total Federal expenditures has grown as the social security program has matured and been improved over the years.

The growth in OASI expenditures since 1955 reflects the extension of coverage to millions of jobs, primarily in the 1950's, and real benefit increases from time to time. Until 1951, less than 60 percent of the jobs were covered under social security; today 90 percent of the jobs are covered. Also, the aged population has doubled since 1950. Disability insurance (DI) was added in the mid-1950's and Medicare (hospital insurance and supplementary medical insurance) was added in 1966. DI expenditures have increased over the years for a number of reasons, including liberalized eligibility requirements, real benefit increases in the late 1960's and early 1970's, larger-than-expected disability incidence rates, and declines in termination rates. The growth in Medicare reflects the rapid growth in the price of health care that the Nation has experienced. As a result, by next year social security outlays will account for about 27 cents out of each Federal dollar spent.

PEOPLE AGED 65 AND OVER

SOCIAL SECURITY, OAA*, AND SSI**



* OLD AGE ASSISTANCE

** SUPPLEMENTAL SECURITY INCOME

Chart 23

People Aged 65 and Over: Social Security, Old-Age Assistance, and Supplemental Security Income

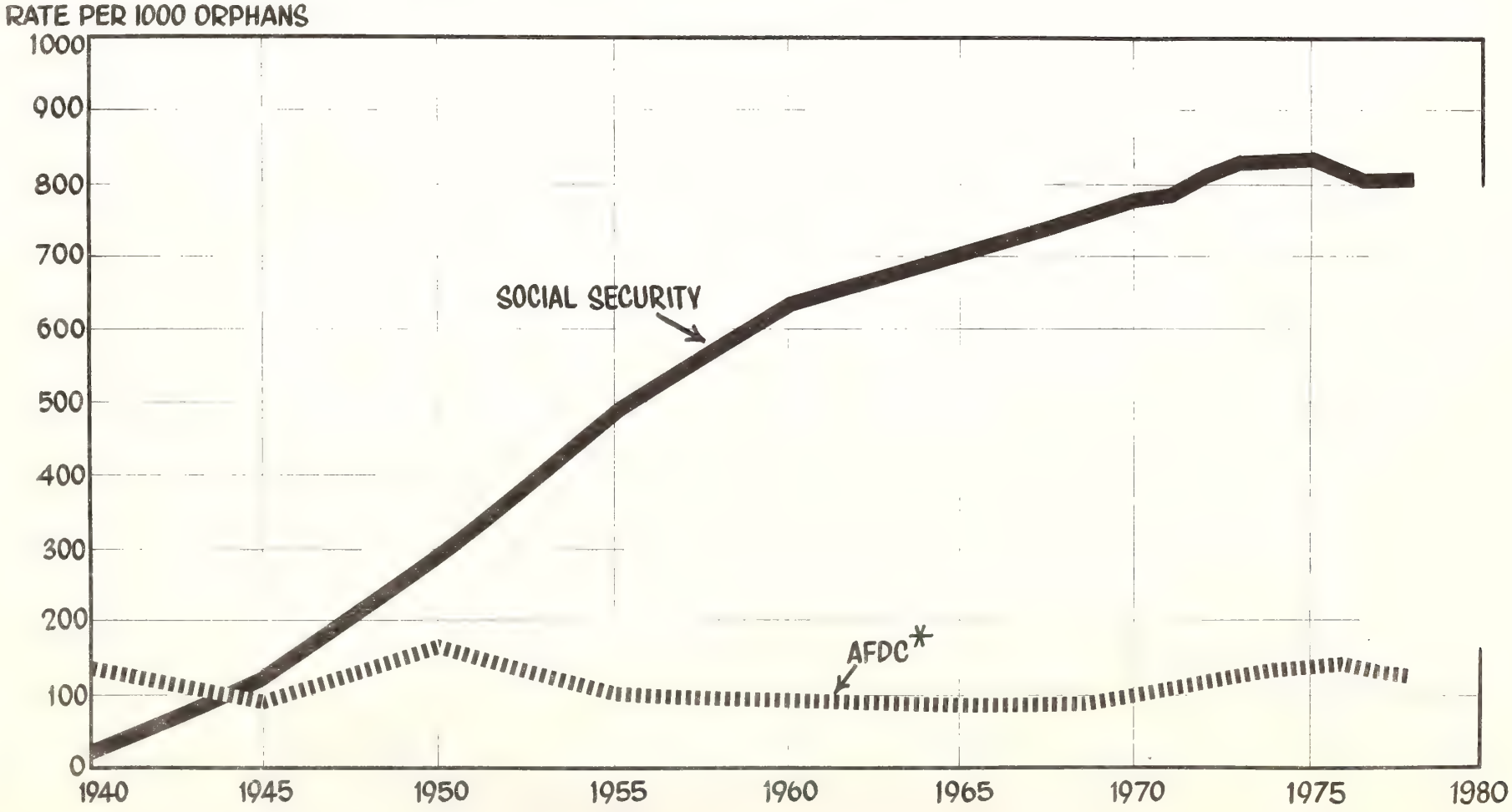
Public assistance is intended to meet whatever need for income remains after account is taken of benefits provided by the social security program and income from all other sources.

Until 1940, the only program of income maintenance for old people in which the Federal Government participated was the old-age assistance (OAA) program. In 1940, while social security was paying benefits to 7 out of every 1,000 persons 65 years of age or older, the OAA recipient rate was 217 per 1,000. The percent of the aged population receiving OAA declined from a high of 22 percent in 1950 to slightly under 10 percent at the end of 1973. Over the same period, the social security rate rose rapidly, passing the OAA rate in 1951.

In 1974, the Federal supplemental security income (SSI) program, along with State supplementary programs, replaced the Federal-State program of OAA. As a result of generally more liberal eligibility requirements under the SSI program, there were about 2.3 million aged people receiving SSI benefits in December 1974 as compared to about 1.8 million aged OAA recipients in December 1973.

Since 1974, the proportion of the aged getting SSI benefits has declined slightly and is now, again, below 10 percent. At the end of 1977, about 894 out of every 1,000 persons aged 65 and over were receiving social security cash benefits while the SSI rate was 96 per 1,000.

ORPHANS:
SOCIAL SECURITY AND AFDC*



*AID TO FAMILIES WITH DEPENDENT CHILDREN

Chart 24

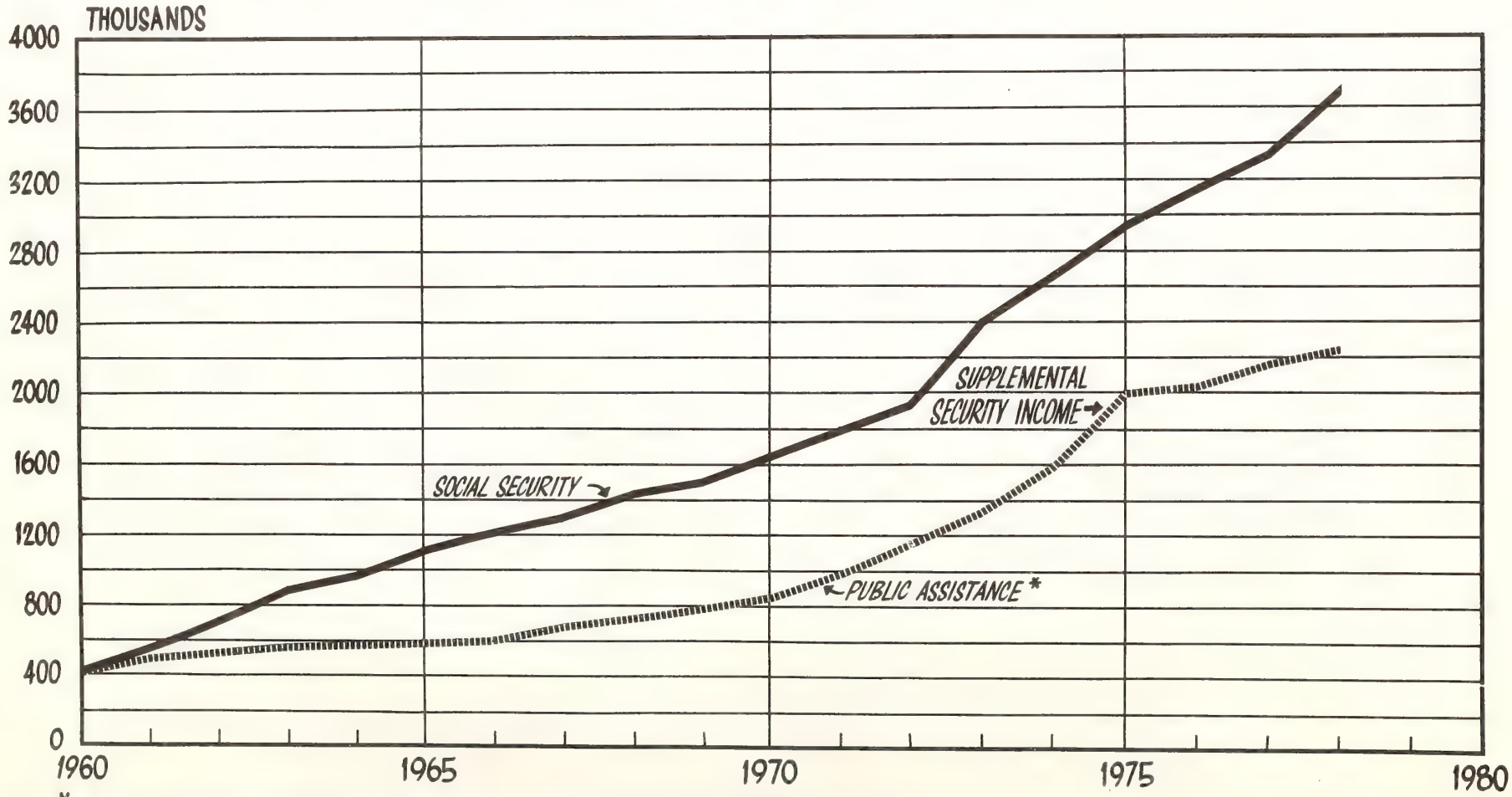
Orphans: Social Security and Aid to Families with Dependent Children

This chart compares the proportion of paternal orphans under age 18 receiving social security benefits with the proportion receiving assistance under the program of aid to families with dependent children (AFDC). Over the years, the AFDC program as a whole has grown, but the increase has been largely among families in need for reasons other than the death of a parent--such as, desertion, divorce, or the father's unemployment. Only a small proportion of children receiving AFDC are orphans.

The proportion of orphans who receive AFDC has been relatively stable while the proportion getting social security benefits grew rapidly until recent years. The proportion of paternal orphans receiving AFDC has decreased from 15 percent at the beginning of 1941 to about 13 percent at the beginning of 1978. In this same period, the proportion of orphans getting survivors' benefits under social security increased from 2 percent to 81 percent.

DISABLED PEOPLE:

SOCIAL SECURITY, PUBLIC ASSISTANCE,* AND SUPPLEMENTAL SECURITY INCOME



* AID TO THE PERMANENTLY AND TOTALLY DISABLED AND AID TO THE BLIND

Chart 25

Disabled People: Social Security, Public Assistance, and Supplemental Security Income

This chart shows how the number of disability beneficiaries under social security (disabled workers, disabled children aged 18 and over, and disabled widows and widowers) has risen faster than the number of recipients under the public assistance disability programs (aid to the permanently and totally disabled (APTD), aid to the blind (AB)), and supplemental security income (SSI). The chart refers to numbers of beneficiaries, rather than rates per 1,000 of disabled population, because of the lack of consistent data on total number of "disabled" persons in the population over time since definitions of disability varied considerably among programs, surveys, and sources of statistics.

Before 1957, no disability benefits were paid under social security. The payment of benefits to adult disabled sons and daughters of insured workers began in January 1957 and benefits to disabled workers aged 50-64 began in July 1957; by the end of that year, 179,000 people were receiving social security disability benefits. At the same time, 400,000 people were receiving aid under the public assistance disability programs. In 1960, when social security benefits became available to disabled workers under age 50, the numbers of people getting social security disability benefits began to exceed the numbers of people getting public assistance.

Effective January 1, 1974, the Federal SSI program, along with State supplementary programs, replaced the Federal-State programs of APTD and AB.

At the end of 1977, about 3,715,000 beneficiaries were receiving social security disability benefits and about 2,260,000 blind and disabled were receiving SSI benefits.

☆ U.S. GOVERNMENT PRINTING OFFICE: 1978—260-955:318

To serve you better, we need feedback from you. Please complete the items below. Our return address is listed below.

- Title of publication _____

- Is the content accurate? _____ (Please note any errors by page and line.)

- Is the content: 1) too detailed? 2) too general? 3) on target? Why?

- How do you like the format?

- What changes would you suggest?

- On what other topics would you like to have materials?

Social Security Administration
Division of Personnel and Training Operations
4-P-10 Annex
Baltimore, Maryland 21235

Your position type? _____

Name (optional) _____

Location _____

CMS LIBRARY
3 8095 00016080 0